

---

SUBJECT: Funding for the Replacement, Repair, Modification,  
and Testing of Property

---

1. PURPOSE

This instruction establishes policy and prescribes procedures for funding the replacement of lost, damaged, or deteriorated property, and the modification, repair, or testing of property for which payment is made from the Office of Logistics (OL) Materiel Procurement Account (MPA). Specifically, such transactions include:

- a. The replacement or repair of items lost, damaged, or deteriorated in shipping, handling, or storage.
- b. The testing to destruction of stock items.
- c. The modification of ~~OL cognizant~~ stock items.
- d. The repair of OL cognizant items returned to stock (PTI).

2. GENERAL

The 5 percent surcharge added to the cost of every stock item at the time of receipt, regardless of whose funds procured the item, is to compensate OL's MPA for normal operating losses. Such losses include pilferage, damage, deterioration, obsolescence, physical inventory shortages, surveillance testing, and replacement of lost or damaged shipments.

3. POLICY

The OL will bear the cost of paragraph 1 . transactions as follows:

- a. The OL will replace or repair any item lost or damaged in shipment, handling, or storage, whether a stock item or a direct procurement item (with the exception of accommodation procurements), except that any cost exceeding \$5000 per line item will be subject to review and approval by the Chief, Supply Division (SD), OL.
- b. Stock items will normally be issued at no cost to the requisitioner for the purpose of testing to destruction, subject to the approval of the Chief, SD/OL. This includes items consumed in tests of another item, e.g., film to test a camera, ammunition to test a weapon, etc.
- c. The OL will replace or rehabilitate any inventory item that deteriorates in storage, except that in the case of items procured with MPA allocated to another cognizant office, the following restrictions apply:
  - (1) The OL will not replace or rehabilitate items which have deteriorated due to prolonged storage caused by the cognizant office acquiring excessive stocks of the item. This determination will be made by the Chief, SD/OL.
  - (2) Repair or replacement costs in excess of \$5000 for a single line item will be subject to review by the Chief, SD/OL, and possible negotiation with the

- d. The OL will fund modifications to stock items except when the modification is requested by a specific component outside OL and is beneficial only to that component.

4. PROCEDURES

- a. When OL is to provide funding for subject transactions as determined per paragraph 3 above, SD will initiate the appropriate action. Form 88, Requisition for Materiel and/or Services, or Form 1245, Stock Procurement Requisition, will be used as appropriate. Form 2420, Request for Procurement Services, is not applicable since payment is made from OL's MPA.
- b. The issue of an item from stock for the purpose of testing it to destruction, or to use it for the repair or modification of another stock item, or to replace an item lost or damaged beyond repair will cite, for record purposes, Property Requisitioning Authority (PRA) Financial Analysis Number (FAN) ~~(8)178~~-5710, with the first digit changing with the fiscal year. If the transaction involves , the 5710 will become 5720. The Transaction Analysis Code (TAC) for Inventory Control System (ICS) input will be 6M. STATINTL
- c. The procurement of a replacement item for an item lost or damaged/deteriorated beyond repair will cite the PRA for record purposes and MPA FAN (8)188-5710 (or 5720

STATINTL if at ☐ If the procurement is for replacement of a stock item issued per paragraph b immediately above, Form 1245 is used, citing MPA FAN (8)188-5710. *→ 1245*

d. Contractual services and other direct charges for the repair or modification of an item will cite PRA and MPA as for procurement of replacement items, paragraph c immediately above. These transactions are non-FPA, and are not input to the Inventory Control System except for condition changes. Form 88 is used.

ILLEGIB